ALDRICH BILL WALL ST. MEASURE, NOT A REFORM

French Authority on Finance Holds It Will Tend to Confound Confusion.

CENTRAL BANK NEEDED.

While Proposed Measure Might Stop Panics, European System Prevents Them.

Written for The Evening World
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There has not been a greater issue at hand in the United States since the adoption of protectionist tariffs than the currency reform which is to be discussed this winter by Congress. This reform is evidently intended to prevent the rturn of financial flurries, to guarantee the American financial market and above all the industrial prosperity of the country from such rough shocks as have recently occurerd. I think it is public opinion much more than politicians or capitalists that insists upon a reform of this kind. But if my inquiry of a month in New York concerning this vital question has not introduced me into error I am obliged to state that public opinion is still more incompetent in these matters here than it is in Europe. It asks for financial relief, but as far as I can see it has been unable to make any valuable suggestions as to the way and means to bring it about. The nation leaves the question with its financial leaders and it is likely to indorse any so-called reform that may seem sufficient in the eyes of those who want above all to maintain their personal control of the country's prosperity.

From the European standpoint—I am not entitled to take up another—it may seem evident, however, that the interest of the nation is not always identical with that of Wall street. And it is rather astonishing for a Frenchman to see that the only currency bill that has a chance to be adopted by Congress is just what I venture to call a Wall street bill and not a United States bill.

Why Was Central Bank Idea Abandoned?

The Aldrich Currency bill, if I am well informed, has come into existence under rather curious circumstances. About a fortnight ago, when Mr. Aldrich came to New York for discussing the question with prominent bankers and economists, I understood that there could not be any more the question of maintaining this amazing currency system that has ruled the United States economical life for half a century. Mr. Frank Vanderlip, who is considered in Europe one of the most clear-sighted economists of this country, told me then, just after a conversation with Mr. Aldrich, that he was sure the would-be reform was to be a first step toward the establishment of a central bank, which, I dare say, every competent man beyond the ocean considers the sole available solution of the problem. Mr. Hepburn, Mr. Seligman and Mr. Schiff seemed to be exactly of the same opinion. The scheme which then appeared to have a great chance to be carried through provided a kind of national clearing-house, a central agency the stock of which ($50,000,000) was to be held by the national banks in proportion to their capital. The head of this central institution was to be appointed by the President of the United States, whereas, just as in the Bank of France, the Board of Directors was to be elected by the shareholders (the national banks); the latter were to act as branches of the central agency as to what concerns currency matters; it was to deal exclusively with banks and to be forbidden to make loans on bonds or stocks; its role was to be restricted to rediscount with banks, to receive and to disburse Government moneys and to issue currency.

Aldrich Bill Will Confound Confusion.

This scheme was really excellent and its adoption would have aroused universal applause all over the world. But within a fortnight it disappeared and in its place the Aldrich bill as it is proposed to Congress gives it what we call in France a first-class funeral. I do not know the reasons which have brought about this sudden change and I abstain from venturing any suggestion with respect to this point. But as a matter of fact it is rather hard to state that if the new bill should be put into practice not only the great lesson of the crisis will be lost, but the currency system of the country, although remaining unchanged in its principles, will be worse than ever —at least from the European standpoint.

Now what does the Aldrich bill provide for? In a word it leaves the present system unchanged, but authorizes emergency issues of national banks' notes up to $250,000,000 on bonds approved by a Treasury board. The question whether a national bank is to be allowed to issue such currency is to be decided by a special board in Washington on representation of the banks' needs to a sub-treasury.

First of all, the bond-secured currency is maintained. Americans do not realize, perhaps, that this system has never been intended to be definitely established; it is a mere emergency system that ought to have been suppressed when the emergency had disappeared. In fact, it has only been intended to open a market for United States bonds when political conditions (civil war) had closed this market. It was to force the banks to buy United States bonds which they were obliged to hold as a guarantee for the currency they issued. In other words it was a means to take up loans. Nobody in the world outside this country has ever been able to solve the reason why the United States has continued to stick to such a system, which, from a merely economical standpoint, is really monstrous. Only one country, under the same necessity to enforce Government bonds on the people, ventured an imitation of this method. It was Japan. But as soon as conditions had improved she got rid of this awful drawback to monetary soundness, although the system was far less unpleasant than in this country, where there are not less than 3,600 note-issuing banks.

Central Banks in Europe.

Every other civilized country has practically only one great central note-issuing bank. In France this bank has the absolute monopoly of issuing notes. In England and in Germany the monopoly is becoming complete, as no new banks can get the right of issuing notes, and the older ones are so much smaller than the central banks that by and by they surrender their useless privilege.

Another point is still more important

ALEXANDRE ULAR, WHO CRITICISES ALDRICH BILL.

ALEXANDER ULAR.

The Governments have no, or very little, influence on the banks. In France, for instance, the Government appoints only the governor of the bank and two vice-governors. But there are twelve regents elected by the shareholders, so that in the council the officials are a small minority. Moreover, the Government does not hold one share of the bank. Its capital amounts to about $25,000,000 only. But it is allowed to issue now bank credit notes up to $1,150,000,000. The limit of this amount of notes is, from time to time, fixed by law, but the situation of the bank is so solid that this is a mere formality. So some months ago the limit was raised for about $200,000,000 by Parliament, and, I remember, some of the biggest newspapers in France forgot to notice this event, which appeared to be of no consequence at all. Actually the limit has never been reached. And, most curious feature of all, the bank is not bound, legally to hold any reserves. If there are in its vaults $600,000,000 in gold and about half this amount in silver it is just because the board thinks it fit.

Thus the Bank of France enjoys an almost absolute liberty of action and is ruled only by the conservative conceptions of the "regents." And that is the real secret of the stupendous power of this institution. It will issue bank notes, when an emergency arises, and will reduce them when the conditions make it advisable. There can never be a stringency of currency in circulation, and the metal reserves are available at any moment.

Folly of Present Currency System.

It is just the contrary in the United States. As recent events have shown, there a few available reserves in the banks, and increasing bank note circulation is submitted to buying Government bonds on unfavorable conditions. This goes so far that in emergency cases, in order to give the national banks an opportunity to issue currency, the Government is obliged to issue bonds specially for this purpose. The Government, although it does not want money, is obliged to take up a loan and pay interest on it, in order to allow the banks to increase the note circulation! If there has ever been a foolish system in the world, it is this.

Now, as to what concerns the currency reforms, its scheme is built up on the idea that temporary increase of currency is urgently needed. Is that true? The recent crisis and stringency of money seems to prove it. But this proof is inconsistent. The United States does not want an increase of currency. It has got more than any great civilized country in the world—except France. It has got over $33 of media of payment per inhabitant; it retains at least one-seventh of the whole amount of gold existing in the world. The amount of $33 of currency per inhabitant has been attained by continuous increase. It is almost double what Great Britain wants to carry on her enormous industry and commerce. And it is not enough? It should be increased?

No. The truth is that the Americans simply do not know how to control the movement of media of payment; that their banking system is unworthy of a modern nation; that there is an enormous waste of media of payment, because there is not one single central institution charged with such control, but 3,600—which means that there is rivalry, mutual distrust, mutual dissimulation, instead of control.

Aldrich Bill Will Provoke Crises.

Was the recent banking crisis really due to lack of money? On the contrary, it was due to hoarding, hoarding in each one of the banks in order to face the possible demands of another; hoarding because of the certitude that in case they should lack cash no power on earth would be able to give them media of payment. If one bank alone regulated the amount of currency, there would not have been any reason for hoarding. Thus the plurality of note issuing banks, besides the inelasticity of bond-secured currency, has been the immediate cause of the panic.

But, in order not to complicate the question, let us admit for a moment that really the amount of currency should be increased in emergency cases of each separate national bank, as the Aldrich bill provides. What will be the effect of this bill? Will hoarding be stopped? Will the interest rates be lowered? Will another crisis become impossible?

Not at all. The present situation will simply be "inflated." The struggle for currency between the banks will be worse than ever. The provisions of the bill can, for the moment, stop a crisis when one has broken out. They cannot possibly prevent any. I am rather inclined to say, and I am sure almost all European economists will agree with me, that this bill will provoke crises much more than prevent them. It will, as a matter of fact, prove to be a marvellous promoter of speculation. It empowers the banks to pump up and down the interest rate on money as they like. The recent panic has evidently proved that by mere unnecessary hoarding the stringency of money will attain a dangerous point; interest rates will increase in startling proportions. Such hoarding for the benefit of the banks is not hindered by the Aldrich bill. On the contrary. For if the stringency attains a degree that might be dangerous for the hoarding banks themselves, they will apply for "emergency currency;" they will get it, and thus again depress the interest rate just to the point they want—whereas up to now they have risked their own existence in such perilous game.

May Stop but Cannot Prevent Panics

But this is only the moral side of the question. Bankers are not angels. And morality has nothing to do with interest earning.

I do not insist here on other defects of the proposed "reform"—on the peril of issuing notes guaranteed on other than Government bonds, and so on. The important point is the principle.

This is that the bill will cause the inflation of a currency which shows a more than sufficient amount, and that, on the other hand, it does not provide at all for bringing about a more reasonable administration, distribution and, I should say, "canalization" of these enormous quantities of media of payment. It is that the bill cannot prevent panics, but only stop them, when they are at hand, when stringency has made itself strongly felt. It is that nothing will be changed as to what concerns the system to which the crisis is due.

The great point for American prosperity—in the eyes of Europe—is not stringency or shrinking of business. On the contrary, it is inflation of credit, of exploitation of currency. I believe that European public opinion is unanimous on this point. And as the United States is obliged to appeal on many occasions to Europe for financing its enterprises, this general opinion ought to be earnestly considered. After all that has happened for some months past, the unpleasant aspect that American economic life has shown Europe would doubtless take still less pleasant forms if, by the Aldrich bill, the United States, instead of curing its monetary disease, should make it still more dangerous and perhaps incurable—just as in morphineomania the patient who is afraid of collapsing will instantly take some more morphine in order to feel better for a moment, instead of having himself cured by total abstention.

CROSS STATE LINE TO EAT.

Meals Finished, the Wineses Return to Connecticut to Sleep.

WINSTED, Conn., Jan. 15.—H. B. Wines and family, who claim Colebrook as their residence because they pay taxes and get their mail there, eat in Massachusetts and sleep in this State, their house standing partly in Tolland, Mass., and partly in Colebrook, Conn.

Friends who recently called asked for Mrs. Wines, and upon being told by Mr. Wines that she had gone to Tolland began to express their regret, when she entered the Connecticut room from the Massachusetts part of the house. Wines then explained that they always referred to one side of the house as "over in Tolland" and the other as "over in Colebrook."

MILLION TO FIGHT THE WHITE PLAGUE

Unknown Benefactor Starts a Campaign in State Outside of New York City.

ALBANY, Jan. 15.—Homer Folks, secretary of the State Charities Aid Association, with a force of investigators and clerical assistants, opened permanent headquarters in this city to-day for the promotion of a campaign against tuberculosis in the fifty-seven counties outside of Greater New York. It is computed that it will take at least five years to perfect local organization throughout the State and that the total cost will reach a million dollars.

The movement now started begins with a subscription which will be made public at a mass meeting to be addressed here on Monday, Jan. 27, by Gov. Hughes, Joseph H. Choate, Dr. William H. Welsh, of the John Hopkins University and others.

The third Boileau Girl Art Calendar, in ten colors, will be distributed through The Sunday World in Greater New York next Sunday.